

Final Internal Audit Report

Sycamore House: Implementation of Lessons Learned

April 2024

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Assurance Level	Issues Identified	
No Assurance	Priority 1	1
	Priority 2	0
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1. In October 2022, a serious fire occurred in Sycamore House, a Housing Revenue Account (HRA) property owned by Croydon Council (“the Council”). Around 70 families had to be evacuated from the building, and some residents were hospitalised. The Fire Brigade’s incident report stated that the fire was believed to have been caused by a tea light that had been left close to combustible materials.
- 1.2. Sycamore House is a former office complex that had been converted into temporary accommodation. The property had previously been inspected by the London Fire Brigade (LFB) in September 2018 and the Council served with an enforcement notice requiring urgent remedial action.
- 1.3. The Council use a number of converted office blocks similar to Sycamore House, which have been sought as temporary accommodation due to the longstanding shortage of HRA housing in the Borough.
- 1.4. Internal Audit sought to confirm that a lessons-learned review had been performed and that any actions arising (with a primary focus on addressing the key failings causing the fire and ensuring such issues do not lead to similar incidents occurring again in the future) were being appropriately tracked. Our review and testing were performed remotely.
- 1.5. Through discussion with the Homelessness Hostel Team Leader, Fire Safety Project Manager and Interim Director of Housing – Assets & Repairs, Internal Audit established that no formal lessons learned review had been completed by the Housing directorate, and thus there were no remedial actions which had been put in place.
- 1.6. Internal Audit were able to confirm that a separate lessons learned exercise had been completed by the Resilience and Emergency Planning team. However, the focus of this review was on the emergency response to the incident, and the lessons learned in terms of emergency planning and response. The review undertaken by the Resilience and Emergency Planning team did not look into the causes of the fire itself nor any actions required to prevent similar fires at other properties.
- 1.7. The audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Issues

The Council have not carried out a formal lessons learned exercise to establish and address the key control failures that contributed to the fire at Sycamore House. Consequently, an action Plan has not been put in place to remedy fire safety, maintenance or other failures which contributed to the fire at Sycamore House and ensure similar incidents do not occur at other similar buildings used by the Council.
(Issue 1)

There were no Priority 2 or 3 recommendations.

3. Actions and Key Findings/Rationale

Control Area: Scope of the Lessons Learned Review / Action Plan

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>The Interim Director of Housing, Assets & Repairs joined Croydon in late December 2023 and is responsible for repairs and asset management, including fire and building safety. In respect of Sycamore House, the Interim Director is aware that the property is owned by Chyene Capital (as Orlagh has confirmed) and following the fire, remedial works were arranged to be undertaken via an insurance claim. The property was decanted as a result of the fire. Since the Interim Director joined, legal advice has been sought in terms of the work undertaken by Chyene. A Fire Safety Officer from Tenos had been commissioned to undertake a joint inspection with Chyene Capital. This took place in March 2024. Tenos are</p>	<p>Expected Control</p> <p>The Council has conducted a formal exercise to identify the cause of the Sycamore House fire, as well as any other fire safety failures which may have contributed to the fire and set out lessons learned to prevent similar fires in the future.</p> <p>The Council has put in place an Action Plan / Tracker which identifies specific remedial actions to be undertaken in response to a lessons learned review, with a view of preventing similar fires in the future.</p> <p>Issue/Finding</p> <p>It was noted that in September 2018, the London Fire Brigade (LFB) issued an enforcement notice to the Council for Sycamore House due to fire safety failures. Sycamore House was a converted office block, and the Council has several other similar properties in the Housing stock.</p> <p>Through discussion with the Homelessness Hostel Team Leader, Fire Safety Project Manager and Interim Director of Housing – Assets & Repairs, Internal Audit established that a lessons-learned review had not been completed by the Housing directorate to identify the causes of the Sycamore House fire, including any failures that had contributed to the fire. Consequently, the Council do not have an action plan / tracker in place to record the status and responsibility of remedial actions.</p> <p>Whilst Internal Audit was informed by the Homelessness and Hostel Team leader that remedial work has been carried out following the Sycamore House fire, it was established through discussions with the Fire Safety Project Manager that there is no documentation or other systematic record to support this.</p> <p>Internal Audit were able to verify that a separate review focussing on the Council's emergency response to the fire had been completed by the Resilience and Emergency Planning Team, however this exercise did not address the causes of the fire or any safety failures leading up to the fire itself.</p> <p>Risk</p> <p>The Council do not identify safety and maintenance failures that led to the Sycamore House fire and therefore do not address failings to ensure that similar incidents do not occur in future at Sycamore House or other similar properties.</p>

arranging a Type 4 intrusive inspection next week which will conclude if the works undertaken by Cheyne meet current fire & building safety regulations, and then decisions can be made about reoccupation of the building.

The Director of Housing Management and Director of Housing & Homelessness

Intervention both agree that the difficulty in responding to this audit is due to various staff who were here in 2018 having since left the organisation, and therefore current management are not sighted on what occurred and actions taken during or immediately after the fire. Whilst Mazars have concluded that a lessons learned exercise wasn't undertaken, it will be very challenging to undertake a meaningful lesson learned exercise now, given the time that has lapsed and the fact that many of the staff who were involved have left.

The processes are in place now in the event of a fire (or other major incidents) and these are managed proactively, and actions are reviewed at case closure.

Responsible Officer	Deadline
Sue Hanlon	Not Applicable

AUDIT TERMS OF REFERENCE

Sycamore House: Implementations of Lessons

Learned

1. INTRODUCTION

- 1.1 In October 2022, a serious fire occurred in Sycamore House, a Housing Revenue Account (HRA) property owned by Croydon Council (“the Council”). Around 70 families had to be evacuated from the building, and a number of residents were hospitalised. The Fire Brigade’s incident report stated that the fire was believed to have been caused by a tea light that had been left close to combustible materials.
- 1.2 Sycamore House is a former office complex that had been converted into temporary accommodation by the Council. The property had previously been inspected by the London Fire Brigade (LFB) in September 2018 and the Council served with an enforcement notice requiring urgent remedial action.
- 1.3 The Council have a number of converted office blocks similar to Sycamore House, which have been sought as temporary accommodation due to the longstanding shortage of HRA housing in the Borough.
- 1.4 In response to the fire, the Council should have undertaken a lessons learned review, to identify the failings could have contributed to the fire and formulate an action plan to ensure similar incidents do not occur again in the future.
- 1.5 This audit is part of the agreed Internal Audit Plan for 2023/24.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each control / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit, will examine the Council’s arrangements in relation to Sycamore House: implementation of Lessons Learned and will include the following areas:





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Scope of the Lessons Learned Review/Action plan	1	0	0

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Action Plan: Completeness, Ownership & Timescales	0	0	0
Implementation of Actions & Progress Monitoring	0	0	0
Management Reporting	0	0	0
Total	1	0	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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